



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

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June 21, 2013

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT OR NEAR THE CONCLUSION OF THE AUDIT

To the Township Board
Crystal Lake Township
Benzie County
Frankfort, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Lake Township for the year ended March 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 24, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Crystal Lake Township are described in Note I to the financial statements. Starting in 2012-2013, the Township has implemented GASB 63 and GASB 65, new standards that rename, redefine, and clarify components of net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Township's financial statements was:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 21, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about audit and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Crystal Lake Township for the year ended March 31, 2013, we noted the following items which we feel deserve comment:

Budgeting

Some expenditures in the General Fund exceeded appropriated amounts. The Township should monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts.

Payroll

During the audit the Clerk was receiving notices regarding Quarterly 941s from the Internal Revenue Service. It appears that quarterly 941s were not filed on a timely basis. The Clerk is working to get these filed.

Capitalization Policy

We were unable to locate the Township's capitalization policy while performing the audit. The Township is required to adopt a capitalization policy. If the Township does not have a capitalization policy, the Board needs to adopt one and note it in the minutes. We can provide a sample if needed.

Telecommunications Right-of-Way State Funding

The Township receives money from the state related to Telecommunications Right-of-Way. The state has specific guidelines on the use of those funds, most allowable uses relate to Road Right-of-

Way Expenditures. The state has a letter outlining allowable and unallowable uses of these funds and we can provide you a copy if you desire.

Dual Signature Requirement

The Michigan Department of Treasury Accounting Procedures Manual requires dual signatures on all disbursements except Tax Collection Fund disbursements. There were several checks that cleared the bank with only one signature. We recommend the Township develop a system to make sure it is in compliance with this requirement for all of its disbursements.

Cancelled Checks

We recommend that the Township consult with its financial institution to obtain images of cancelled checks with their bank statements. This will provide additional documentation for each disbursement.

Chart of Accounts and General Ledger Accounting System

Currently the chart of accounts within the general ledger accounting system includes several accounts which are not correct. While we have made entries to correct the balances as of March 31, 2013, we suggest that some further changes be made. These changes would include creating a separate company for the tax account and ensuring that the chart of accounts is in compliance with the State of Michigan.

Timing of Board Meetings

It is our suggestion that the scheduled board meetings be arranged so that there is sufficient time to obtain bank statements and perform monthly procedures prior to the meeting. This will ensure that the monthly financial reports have been reconciled and reviewed prior to the board relying on them to make decisions.

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

This communication is intended solely for the information and use of the Township Board and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

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